

Message Text

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ACTION EUR-25

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NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAM-01 SAJ-01 DODE-00 DRC-01 SS-20 NSC-10 IO-14

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C O N F I D E N T I A L PARIS 4044

E.O. 11652: GDS

TAGS: MCAP, NATO, FR

SUBJECT: NATO BUDGETS -- COST SHARING FORMULAE

REF: (A) STATE 27904; (B) PARIS 805; (C) USNATO 5794

1. SUMMARY. FRENCH MAY PROVE FLEXIBLE IN FUTURE ON REVISING COST SHARING FORMULA OF SOME NATO BUDGETS, ALTHOUGH THEY REMAIN OPPOSED TO GOF PARTICIPATION IN COMPREHENSIVE FINANCIAL "BURDENSARING" PROGRAM.WE BELIEVE USG WILL HAVE MORE SUCCESS WITH FRENCH IF WE APPROACH NATO BUDGET SUBJECTS FROM PERSPECTIVE OF NEW CONDITIONS DEMANDING NEW AND MORE EQUITABLE FORMULAE, RATHER THAN ON BASIS OF "BURDENSARING." END SUMMARY.

2. DRAWING ON INSTRUCTIONS IN REF A, WE RAISED WITH SCHRICKE (QUAI CHIEF OF PACTS AND DISARMAMENT AFFAIRS) ISSUE OF FRENCH PARTICIPATION IN REVISION OF NATO COST SHARING FORMULAE. SCHRICKE TOOK FLEXIBLE POSITION ON NATO BUDGETS ISSUE.

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3. CENTRAL EUROPE PIPELINE SYSTEM DEFICIT-SCHRICKE

SAID HE BELIEVES FRENCH MAY BE ABLE TO DO SOMETHING TO REDUCE US SHARE OF THIS DEFICIT. FRENCH INTERNAL STUDIES ENVISION TWO ALTERNATIVES: DEFICIT COULD BE PRO-RATED ACCORDING TO CURRENT MILITARY USAGE. SINCE, ACCORDING TO SCHRICKE, CURRENT METHOD OF APPORTIONING DEFICIT DATES FROM EARLIER PERIOD WHEN US HAD LARGER NUMBER OF FORCES IN EUROPE, A NEW FORMULA BASED ON CURRENT MILITARY USAGE PROBABLY WOULD LEAD TO REDUCTION IN US SHARE OF DEFICIT. ALTERNATIVELY, COMMERCIAL RATES COULD BE ADJUSTED TO EASE OR REMOVE DEFICIT. SCHRICKE ADDED THAT NEITHER QUAI NOR GOF HAVE REACHED CONCLUSION ON THIS ISSUE, ALTHOUGH IT IS UNDER ACTIVE STUDY AND IS MOST LIKELY SUBJECT FOR GOF FLEXIBILITY. COMMENT: ALTHOUGH NOT MENTIONED BY SCHRICKE, WE DO NOT EXCLUDE POSSIBILITY THAT FRENCH MAY EVENTUALLY COME UP WITH FORMULA COMBINING THESE TWO OPTIONS WITH OVERALL EFFECT OF REDUCING US SHARE OF SYSTEM'S DEFICIT.

4. CIVIL BUDGET COST SHARING - SCHRICKE SAID THIS WAS UNDER STUDY IN GOF AND THAT HE THOUGHT A FORTHCOMING FRENCH ATTITUDE, WHILE POSSIBLE, WAS LESS LIKELY ON THIS SUBJECT THAN ON CENTRAL EUROPEAN PIPELINE SYSTEM DEFICIT. HE WAS NONCOMMITTAL ON WHETHER FRENCH WOULD OPPOSE BELGIAN PLAN.

5. MILITARY BUDGET - SCHRICKE VOLUNTERED THAT GOF IS ALSO STUDYING IDEA OF COST SHARING FOR MILITARY BUDGET WITH PARTICULAR REFERENCE TO NADGE. HE SAID, HOWEVER, THAT THIS WAS LEAST LIKELY OF THREE "COST SHARING" SUBJECTS TO RECEIVE FAVORABLE ATTENTION FROM GOF.

6. COMPREHENSIVE BURDENSARING PROGRAM - SCHRICKE REPEATED WELL KNOWN FRENCH REJECTION OF COMPREHENSIVE FINANCIAL BURDENSARING (REF B AND PREVIOUS), NOTING THAT GOF CONTINUES TO BELIEVE (A) US SHOULD MAINTAIN ITS TROOPS IN EUROPE BECAUSE OF US NATIONAL INTEREST, (B) CURRENT BALANCE OF PAYMENTS SITUATIONS OF US AND OF EUROPE DO NOT JUSTIFY SINGLING OUT US MILITARY BALANCE OF PAYMENTS DRAIN RELATED TO US FORCE IN

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EUROPE FOR SPECIAL ATTENTION, AND (C) FINANCIAL BURDEN-SHARING PROGRAM WILL BE OBTAINED ONLY AT COST OF MAINTAINING MILITARY STRENGTH OF ALLIANCE.

7. THROUGHOUT OUR CONVERSATION, SCHRICKE UNDERLINED THAT CASTING THE CENTRAL EUROPE PIPELINE SYSTEM, CIVIL BUDGET, AND MILITARY BUDGET ITEMS UNDER UMBRELLA OF "BURDENSARING" WOULD NOT BE HELPFUL IN

PRODUCING GOF COOPERATION. HE SUGGESTED WE VIEW THESE THREE SUBJECTS IN TERMS OF UPDATING OLD FORMULAE TO CONFORM TO NEW CONDITIONS, RATHER THAN AS "BURDEN-SHARING." HE ACKNOWLEDGED, HOWEVER, THAT GOF WOULD NOT OPPOSE PRESENTATION TO US AUDIENCE OF BUDGET CHANGES AS "BURDENSARING."

8. COMMENT: WE BELIEVE THAT "BURDEN-SHARING" CONTINUES TO BE VIEWED BY FRENCH AS CODE WORD FOR US ATTEMPT TO USE SUBJECT OF EUROPEAN SECURITY TO ACHIEVE ADVANTAGES IN OTHER AREAS (I.E., BALANCE OF PAYMENTS). TO EXTEND THAT WASHINGTON AND US NATO CAN DIVORCE SUBJECT OF NATO BUDGETS FROM MORE COMPREHENSIVE PROGRAM OF BURDENSARING DESCRIBED IN REFTEL C, WE BELIEVE CHANCES WILL BE HEIGHTENED FOR NEW AND COOPERATIVE FRENCH ATTITUDE ON BUDGET ITEMS.IRWIN

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